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EXTRAORDINARY PART II-Section 2 PUBLISHED BY AUTHORITY

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LOK SABHA

The following Bills were introduced in Lok Sabha on 17th February, 1956:—

* Bill No. 4 of 1956

A Bill to provide for the taking over, in the public interest, of the management of life insurance business pending nationalisation thereof.

BE it enacted by Parliament in the Seventh Year of the Republic of India as follows:-

1. This Act may be called the Life Insurance (Emergency Provi-Short title. sions) Act. 1956.

2. In this Act, unless the context otherwise requires,—

Definitions.

- (1) "appointed day" means the 19th day of January, 1956;
- (2) "controlled business" means-
- (i) in the case of an insurer specified in sub-clause (a) (ii) or sub-clause (b) of clause (9) of section 2 of the Insurance Act and carrying on life insurance business-
 - (a) all his business, if he carries on no other class of insurance business;
 - (b) all the business appertaining to his life insurance business, if he carries on some other class of insurance business also:
 - (c) all his business, if his certificate of registration under the Insurance Act in respect of general insurance business stands wholly cancelled for a period of more than six months on the appointed day;

^{*} The President has, in pursuance of clause (3) of article 117 of the Constitution of India, recommended to Lok Sabha the consideration of the Bill.

- (ii) in the case of any other insurer specified in clause (9) of section 2 of the Insurance Act and carrying on life insurance business—
 - (a) all his business in India, if he carries on no other class of insurance business in India;
 - (b) all the business appertaining to his life insurance business in India, if he carries on some other class of insurance business also in India:
 - (c) all his business in India, if his certificate of registration under the Insurance Act in respect of general insurance business in India stands wholly cancelled for a period of more than six months on the appointed day;
- (iii) in the case of a provident society, as defined in section 65 of the Insurance Act, all its business;

Explanation.—An insurer is said to carry on no class of insurance business other than life insurance business if, in addition to life insurance business he carries on only capital redemption business or annuity certain business or both; and the expression "business appertaining to his life insurance business" shall be construed accordingly;

- (3) "Custodian" means the person appointed under section 4 to take over the management of any controlled business;
 - (4) "Insurance Act" means the Insurance Act, 1938;

4 of 1938.

- (5) "insurer" means an insurer as defined in the Insurance Act who carries on life insurance business in India, and includes a provident society as defined in section 65 of the Insurance Act;
- (6) "notified order" means an Order notified in the Official Gazette:
- (7) all other words and expressions used herein but not defined, and defined in the Insurance Act, shall have the meanings respectively assigned to them in that Act.

Management business to vest in Government on commencement of Act,

3. (1) On and from the appointed day, the management of the of controlled controlled business of all insurers shall vest in the Central Government, and, pending the appointment of a Custodian for the controlled business of any insurer, the persons in charge of the management of such business immediately before the appointed day shall, on and from the appointed day, be in charge of the management of the business for and on behalf of the Central Government; and the controlled business of the insurer shall be carried on subject to the provisions contained in sub-section (3) and (5) and to such further directions, if any, as the Central Government may

give to them by notice addressed and sent to the principal officer of the insurer.

- (2) Any contract, whether express or implied, providing for the management of the controlled business of an insurer made before the appointed day between the insurer and any person in charge of the management of such business immediately before the appointed day shall be deemed to have terminated on the appointed day.
- (3) No insurer shall, without the previous approval of the person specified by the Central Government in this behalf in respect of that insurer (hereinafter referred to as the authorised person),—
 - (a) make any payment or grant any loan in respect of a policy of life insurance otherwise than in accordance with the normal practice observed by him in respect of such matters immediately before the appointed day;
 - (b) incur any expenditure from the assets appertaining to the controlled business otherwise than for the purpose of making routine payments of salaries or commissions to employees, insurance agents, special agents or chief agents or for the purpose of meeting the routine day to day expenditure;
 - (c) transfer or otherwise dispose of any such assets or create any charge, hypothecation, lien or other encumbrance thereon:
 - (d) invest in any manner any moneys forming part of such assets;
 - (e) acquire any immovable property out of any moneys forming part of such assets;
 - (f) enter into any contract of service or agency, whether expressly or by implication, for purposes connected wholly or partly with the controlled business or vary the terms and conditions of any such contract subsisting on the appointed day;
 - (g) enter into any other transaction relating to controlled business other than a contract relating to the issue of a new policy of life insurance or vary the terms and conditions of any agreement relating to any such transaction subsisting at the commencement of this Act.
- (4) The approval of the authorised person may be given either generally in relation to certain classes of transactions of the insurer or specially in relation to any of his transactions.
- (5) Every insurer shall deposit all securities and documents of title to any assets appertaining to the controlled business in any Scheduled Bank in which the insurer had an account immediately

2 of 1934.

before the appointed day or in any branch of the State Bank in the place where the head office or the principal office of the insurer is situated or, where there is no branch of the State Bank in such place, the nearest branch of the State Bank; and no such security or document shall be withdrawn from the Scheduled Bank or the State Bank, as the case may be, except with the permission of the authorised person:

Provided that nothing contained in this sub-section shall apply to any security or document of title kept with approved trustees by reason of the provisions contained in sub-section (6) of section 27 of the Insurance Act, or kept in trust with an Official Trustee in pursuance of the articles of association of an insurer unless the Central Government, by notified order, otherwise directs.

Explanation.—In this sub-section,—

- (a) 'Scheduled Bank' means a bank included for the time being in the Second Schedule to the Reserve Bank of India Act, 1934;
- (b) 'State Bank' means the State Bank of India constituted under the State Bank of India Act, 1955. 23 of 1955.
- (6) Every insurer shall deliver forthwith at the place and to the person specified in this behalf by the Central Government in respect of that insurer the following documents, namely:—
 - . (i) the minutes book or any other book in India containing all resolutions up to the appointed day of the persons in charge of the management of the controlled business before the appointed day;
 - (ii) the current cheque books relating to the controlled business which are at the head office or the principal office of the insurer;
 - (iii) all registers or other books containing particulars relating to the investment of any moneys appertaining to the controlled business including investments on mortgaged properties and all loans granted and advances made otherwise than on policies;
 - (iv) all brokers' notes or certificates in the possession of the insurer in respect of any orders for the investment of any moneys appertaining to the controlled business:

Provided that if any document specified in this sub-section is relevant for the purpose of any business other than the controlled business carried on by the insurer, the person specified in the notified order shall be bound to return it to the persons in charge of the management of such other business with the least possible delay,

but shall have power to place identification marks on such document or to take extracts or copies therefrom.

- (7) Without prejudice to the generality of the powers conferred by sub-section (1) and to the provisions contained in sub-sections (3), (5) and (6), any directions issued under sub-section (1) may require the persons in charge of the management of the controlled business of an insurer under this Act to furnish to the Central Government or to the authorised person such returns, statements and other information relating to the controlled business as may be mentioned in the direction.
- (8) The persons in charge of the management of the controlled business of an insurer under this Act shall be entitled to such remuneration, whether by way of allowance or salary as the Central Government may fix; and any such person may, by giving a month's notice in writing to the Central Government of his intention so to do, relinquish charge of the management of the controlled business.
- 4. (1) The Central Government may, as soon as it is convenient Power of administratively so to do, appoint any person as Custodian for the criment to purpose of taking over the management of the controlled business appoint Custodians to of an insurer.

take over management of controlled business.

- (2) On the appointment of a Custodian under sub-section (1), all persons in charge of the management of the controlled business of the insurer for and on behalf of the Central Government immediately before such appointment shall cease to be in charge of such management and shall be bound to deliver to the Custodian all books of account, registers or other documents in their custody relating to the controlled business of the insurer.
- (3) Nothing contained in sub-sections (3), (5) and (6) section 3 shall apply to any insurer the management of whose controlled business has been taken over by the Custodian, but the Central Government may issue such directions to the Custodian as to his powers and duties as it deems desirable in the circumstances of the case, and the Custodian may apply to the Central Government at any time for instructions as to the manner in which he shall conduct the management of the controlled business of the insurer or in relation to any matter arising in the course of such management.
- (4) The Custodian shall receive such remuneration as the Central Government may fix; and the Central Government may at any time cancel the appointment of any person as Custodian and appoint some other person in his stead.

Powers of Custodian to institute proceedings, etc.

5. The Custodian may, in relation to the controlled business of any insurer the management of which has been taken over by him. exercise all or any of the powers which the Controller of Insurance or an Administrator appointed under section 52A of the Insurance Act may exercise under section 106 or section 107 of that Act.

Compensation for management business vesting in Central Government.

6. The amount of compensation payable in respect of the vesting in the Central Government of the management of the conof controlled trolled business of an insurer shall, for every month during which the management thereof remains vested in the Central Government, be a sum which is equivalent to one-twelfth of the annual average of the share of the surplus allocated to shareholders as disclosed in the abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act in respect of the last two actuarial investigations relating to the controlled business as at dates earlier than the first day of January, 1956:

> Provided that, if in respect of the controlled business of an insurer no such surplus as is referred to in this sub-section has been allocated to shareholders either because there are no shareholders or for any other reason, the compensation shall be payable at the rate of one rupee per month for every two thousand rupees or part thereof of the premium income of the insurer relating to his controlled business during the year 1954.

Compensation, how to be paid and distributed.

- 7. (1) The amount of compensation payable under section 6 shall in the first instance be payable out of the seven and a half per cent. of the surplus referred to in sub-section (1) of section 49 of the Insurance Act earned by the insurer during the period the management of the controlled business of the insurer vests in the Central Government, and where such compensation or any part thereof cannot be so paid out the Central Government shall make due provision for the payment of such compensation or part thereof as the case may be.
- (2) The compensation payable under section shall be distributed among the persons entitled thereto by the Central Government in such manner as may be prescribed by rules made in this behalf:

Provided that in the case of an insurer who is a company the Central Government shall have due regard to the wishes of the members expressed by them at any general meeting convened for the purpose.

Penalties.

- 8. If any person—
 - (a) fails to deliver to the Custodian any books of account. registers or any other documents in his custody relating to the

with both.

controlled business of an insurer in respect of the management of which the Custodian has been appointed; or

- (b) retains any property of such insurer appertaining to the controlled business of the insurer; or
- (c) fails to comply with the provisions contained in subsection (3) or sub-section (5) or sub-section (6) of section 3; or
- (d) fails to comply with any directions issued under subsection (1) or sub-section (7) of section 3;he shall be punishable with imprisonment which may extend to six months, or with fine which may extend to one thousand rupees, or
- 9. No proceeding for the winding up of an insurer the manage-Insurer not ment of whose controlled business has vested in the Central Govern- to be wound up by court. ment under this Act or for the appointment of a Receiver in respect of such business shall lie in any court.
- 10. In computing the period of limitation prescribed by any law Exclusion of for the time being in force for any suit or application against any Act person by an insurer in respect of any matter arising out of his for computcontrolled business, the time during which the Life Insurance of limitation. (Emergency Provisions) Ordinance, 1956 and this Act have been in force shall be excluded.
- 11. The provisions of this Act shall have effect notwithstanding Effect of anything inconsistent therewith in any other law or in any instrument having effect by virtue of any other law.

 Effect of Act on other having effect by virtue of any other law.
- 12. The Central Government may, by notified order, direct that Delegation all or any of the powers exercisable by it under this Act may also of powers. be exercised by any such person as may be specified in the order.
- 13. (1) No suit, prosecution or other legal proceeding shall lie Protection against any Custodian or authorised person in respect of anything of action which is in good faith done or intended to be done under this Act.

 Act.
- (2) No suit or other legal proceeding shall lie against the Central Government or any Custodian or authorised person for any damage caused or likely to be caused by anything which is in good faith done or intended to be done under this Act.
 - 14. Nothing contained in this Act shall apply to—

Exemptions

- (a) any insurer in respect of the management of whose affairs an Administrator has been appointed under section 52A of the Insurance Act:
- (b) any insurer whose business is being voluntarily wound up or is being wound up under the orders of a court;

- (c) any insurer to whom the Insurance Act does not apply by reason of the provisions contained in section 2E thereof;
- (d) any approved superannuation fund as defined in clause (a) of section 58N of the Indian Income-tax Act, 1922; or 11 of 1922.
 - (e) any insurance business carried on by the Government.

Power to make rules.

- 15. (1) The Central Government may, by notified order, make rules to carry out the purposes of this Act.
- (2) In particular, and without prejudice to the generally of the foregoing power, rules made under sub-section (1) may provide for—
 - (a) the form and manner in which books of accounts appertaining to controlled business shall be maintained by insurers;
 - (b) the manner in which any compensation payable under this Act may be paid to the persons entitled thereto;
 - (c) the circumstances in which the remuneration payable to persons in charge of the management of the controlled business of an insurer under this Act or to Custodians shall be met by the Central Government, whether wholly or in part.

Repeal of Ordinance 1 of 1956 and savings.

- 16. (1) The Life Insurance (Emergency Provisions) Ordinance, 1956, is hereby repealed.
- (2) Anything done or any action taken (including any directions given and orders and rules made) under the said Ordinance shall be deemed to have been done or taken under this Act as if this Act were in force on the day on which such thing was done or action was taken.

STATEMENT OF OBJECTS AND REASONS

Government have during the last few months been studying the problems facing the insurance industry in its role as an effective instrument of mobilising people's savings and putting them to use in a constructive manner. As a result of such study the present management of the industry has been found wanting in several respects.

By the amendment of the Insurance Act, which was effected in 1950, Government took powers to appoint administrators to manage companies where the interests of the policy holders were in grave jeopardy. In the short period that has elapsed since then a number of companies had to be put under administrators as investigation

into their affairs revealed gross mismanagement—even embezzlement—very often resulting in insolvency. It has been observed that with a few exceptions, the Indian Life Insurers are virtually controlled by individuals who are prone to utilise the funds of these companies to subsidise or prop up their investments in other ventures to the detriment of the industry and the policy holder who is its back-bone. Tightening up the provisions of the Insurance Act is no remedy since it is only of a negative character. Government have therefore decided to nationalise the Life Insurance business.

A Bill to give effect to this decision will shortly be placed before Parliament. It was essential, however, to save the interests of the policy holders from damage, till legislation for this purpose was passed and put into effect. It was, therefore, necessary to issue an Ordinance styled the Life Insurance (Emergency Provisions) Ordinance, 1956, vesting the management of all Life Insurance business in India, including the business now managed by foreign insurers, in the Government and for appointment of Custodians to manage the business on behalf of Government. The Ordinance also provided for the payment, on a reasonable basis, of compensation to the persons entitled thereto in respect of the Government taking over the management of the business.

The present Bill seeks to convert that Ordinance into an Act.

C. D. DESHMUKH.

NEW DELHI:

The 7th February, 1956.

FINANCIAL MEMORANDUM

Under clause 7(1), the Central Government has to make due provision for payment of a part or the whole of the compensation fixed under clause 6 in cases where seven and a half per cent. of the surplus earned by the concerned insurer during the period his management vests in the Government is not sufficient to pay the compensation, or where there is no such surplus during such period. It is not possible to anticipate in what cases payment by Government will arise and to what extent. It is, therefore, not possible to make any estimate of this liability at this stage; but it is not likely to exceed Rs. 25,000 per month.

Clauses 3 (8) and 4 (4), read with clause 15 (2) (c), contemplate payment, wholly or in part, by the Government, of the remuneration

payable to persons in charge of management by virtue of clause 3(1) or to Custodians appointed under clause 4. While the circumstances in which such payment has to be made by Government have yet to be prescribed by rules, it is expected that such a contingency will arise only in the case of insurers having meagre funds. Though it is not possible to make any estimate of the likely liability of Government on this account, it is expected that the question of Government payment will arise only in a small number of cases, and that the liability will not exceed Rs. 5,000 per month.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 15 authorises the Central Government to make rules providing for the form and manner in which books of accounts are to be maintained by insurers in respect of their business the management of which vests in the Government; regulating the manner in which compensation payable under clauses 6 and 7 will be paid to the persons entitled thereto; and specifying the circumstances in which the Government will bear the whole or a part of the remuneration payable to persons in charge of management for and on behalf of Government by virtue of clause 3(1) or to Custodians appointed in exercise of the powers under clause 4. The rule-making power is of a normal character.

* Bill No. 5 of 1956

A Bill to validate laws of States imposing, or authorising the imposition of, taxes on the sale or purchase of goods in the course of inter-State trade or commerce.

BE it enacted by Parliament in the Seventh Year of the Republic of India as follows: -

Short title.

Validation State

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- 1. This Act may be called the Sales-Tax Laws Validation Act, 1956.
- 2. Notwithstanding any judgment, decree or order of any court, no law of a State imposing, or authorising the imposition of, a tax on the sale or purchase of any goods where such sale or purchase took place in the course of inter-State trade or commerce during the tion of, taxes period between the 1st day of April, 1951, and the 6th day of September, 1955, shall be deemed to be invalid or ever to have been invalid goods in the merely by reason of the fact that such sale or purchase took place in the course of inter-State trade or commerce; and all such taxes trade or com, levied or collected or purporting to have been levied or collected

^{*}The President has, in pursuance of clause (1) of article 117 of the Constitution of India, recommended to Lok Sabha the introduction of the Bill.

during the aforesaid period shall be deemed always to have been validly levied or collected in accordance with law.

Explanation.—In this section, 'law of a State' in relation to a State specified in Part C of the First Schedule to the Constitution, means any law made by the Legislative Assembly, if any, of that State or extended to that State by a notification issued under sec-30 of 1950, tion 2 of the Part C States (Laws) Act, 1950.

> 3. The Sales-Tax Laws Validation Ordinance, 1956, is hereby Repeal of Ordinance 3 repealed.

of 1956.

STATEMENT OF OBJECTS AND REASONS

In the case of the Bengal Immunity Co. Ltd., vs. the State of Bihar and others (1955) S.C.J. 672, the Supreme Court has so construed article 286 of the Constitution that no law of a State imposing, or authorising the imposition of, a tax on the sale or purchase of any goods in the course of inter-State trade or commerce can be valid unless Parliament by law removes the restrictions imposed by clause (2) of that article on such State law. As there was no such law made by Parliament, this decision given on the 6th September, 1955, over-ruling an earlier decision of the Supreme Court on the same subject, has the effect of making it illegal for State Governments to levy and collect such taxes under their laws and doubts have been cast on the legality of the levy and collection of such taxes already made before that date. In order to remove all difficulties arising in connection with the levy of such taxes, a suitable amendment of article 286 of the Constitution in the light of the recommendations of the Taxation Enquiry Commission is under consideration of the Central Government. Pending such amendment of the Constitution, it is not considered desirable to validate the existing State laws prospectively but it became necessary to take immediate steps to validate the levy and collection of such taxes between 1st April, 1951, and 6th September, 1955. To achieve this object, the Sales-Tax Laws Validation Ordinance, 1956 (3 of 1956) was promulgated on the 30th January, 1956. This Bill merely seeks to replace the Ordinance by an Act of Parliament.

C. D. DESHMUKH.

NEW DELHI: The 9th February, 1956.

BILL No. 7 of 1956

A Bill further to amend the Capital Issues (Continuance of Control)
Act, 1947.

BE it enacted by Parliament in the Seventh Year of the Republic of India as follows:—

Short title.

1. This Act may be called the Capital Issues (Continuance of Control) Amendment Act, 1956.

Amendment 2. In the long title of, and the preamble to, the Capital Issues of long title and preamble, Act 29 principal Act), the words "the continuance of" shall be omitted. of 1947.

Amendment of section 1.

- 3. In section 1 of the principal Act,—
- (a) in sub-section (1), the words "Continuance of" shall be omitted;
 - (b) sub-section (3) shall be omitted.

STATEMENT OF OBJECTS AND REASONS

The object of this Bill is to continue in force the provisions of the Capital Issues (Continuance of Control) Act, 1947, which expires on the 31st March, 1956, beyond that date. It is necessary to continue the control in order to canalise the limited capital resources available for investment in this country in the desired fields. As this Act has had to be extended several times in the past and as in the context of our Five Year Plan it is not possible to foresce at present when the need for the regulating provisions contained in it will disappear, it is proposed to place this Act indefinitely on the Statute Book for the present.

C. D. DESHMUKH.

NEW DELHI;

The 10th February, 1956.

*Bill No. 9 of 1956

A Bill to provide for the nationalisation of life insurance business in India by transferring all such business to a Corporation established for the purpose and to provide for the regulation and control of the business of the Corporation and for matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Seventh Year of the Republic of India as follows:

CHAPTER I

PRELIMINARY

- 1. (1) This Act may be called the Life Insurance Corporation Short title and com-Act, 1956. Short title and commencement.
- (2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.
 - 2. In this Act, unless the context otherwise requires,—

Definitions

- (1) "appointed day" means the date on which the Corporation is established under section 3;
- (2) "composite insurer" means an insurer carrying on in addition to controlled business any other kind of insurance business;
- (3) "controlled business" means—
 - (i) in the case of any insurer specified in sub-clause (a)(ii) or sub-clause (b) of clause (9) of section 2 of the Insurance Act and carrying on life insurance business—
 - (a) all his business, if he carries on no other class of insurance business;
 - (b) all the business appertaining to his life insurance business, if he carries on any other class of insurance business also;
 - (c) all his business, if his certificate of registration under the Insurance Act in respect of general insurance business stands wholly cancelled for a period of more than six months on the 19th day of January, 1956;

^{*}The President has, in pursuance of clauses (1) and (3) of article 117 of the Constitution of India, recommended to Lok Sabha the introduction and consideration of the Bill.

- (ii) in the case of any other insurer specified in clause
 (9) of section 2 of the Insurance Act and carrying on life insurance business—
 - (a) all his business in India, if he carries on no other class of insurance business in India;
 - (b) all the business appertaining to his life insurance business in India, if he carries on any other class of insurance business also in India;
 - (c) all his business in India, if his certificate of registration under the Insurance Act in respect of general insurance business in India stands wholly cancelled for a period of more than six months on the 19th day of January, 1956;

Explanation.—An insurer is said to carry on no class of insurance business other than life insurance business, if, in addition to life insurance business he carries on only capital redemption business or annuity certain business or both; and the expression "business appertaining to his life insurance business" in sub-clauses (i) and (ii) shall be construed accordingly;

- (iii) in the case of a provident society, as defined in section 65 of the Insurance Act, all its business;
- (iv) in the case of the Central Government or a State Government, all life insurance business carried on by it, subject to the exceptions specified in section 35;
- (4) "Corporation" means the Life Insurance Corporation of India established under section 3;
 - (5) "Insurance Act" means the Insurance Act, 1938;
- (6) "insurer" means an insurer as defined in the Insurance Act who carries on life insurance business in India and includes the Government and a provident society as defined in section 65 of the Insurance Act;
 - (7) "member" means a member of the Corporation;
- (8) "prescribed" means prescribed by rules made under this Act;

- (9) "Tribunal" means the Tribunal constituted under section 14;
- (10) all other words and expressions used herein but not defined and defined in the Insurance Act shall have the meanings respectively assigned to them in that Act.

CHAPTER II

ESTABLISHMENT OF LIFE INSURANCE CORPORATION OF INDIA

3. (1) With effect from such date as the Central Government may, Establishby notification in the Official Gazette, appoint, there shall be estab-corporalished a Corporation called the Life Insurance Corporation of India. tion of Life

Insurance Corporation of India.

- (2) The Corporation shall be a body corporate having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property, and may by its name sue and be sued,
- 4. (1) The Corporation shall consist of such number of persons Constitution not exceeding fifteen as the Central Government may think fit to of the appoint thereto and one of them shall be appointed by the Central Government to be the Chairman thereof.

- (2) Before appointing a person to be a member, the Central Government shall satisfy itself that that person will have no such financial or other interest as is likely to affect prejudicially the exercise or performance by him of his functions as a member, and the Central Government shall also satisfy itself from time to time with respect to every member that he has no such interest; and any person who is, or whom the Central Government proposes to appoint and who has consented to be a member shall, whenever required by the Central Government so to do, furnish to it such information as the Central Government considers necessary for the performance of its duties under this sub-section.
- (3) A member who is in any way directly or indirectly interested in a contract made or proposed to be made by the Corporation shall, as soon as possible after the relevant circumstances have come to his knowledge, disclose the nature of his interest to the Corporation; and the member shall not take part in any deliberation or discussion of the Corporation with respect to that contract.

Capital of the Corporation,

- 5. (1) The original capital of the Corporation shall be five crores of rupees provided by the Central Government after due appropriation made by Parliament by law for the purpose, and the terms and conditions relating to the provision of such capital shall be such as may be determined by the Central Government.
- (2) The Central Government may, on the recommendation of the Corporation, reduce the capital of the Corporation to such extent and in such manner as the Central Government may determine.

CHAPTER III

FUNCTIONS OF THE CORPORATION

Functions of the Corporation.

- 6. (1) Subject to the rules, if any, made by the Central Government in this behalf, it shall be the general duty of the Corporation to carry on life insurance business, whether in or outside India, and the Corporation shall so exercise its powers under this Act as to secure that life insurance business is developed to the best advantage.
- (2) Without prejudice to the generality of the provisions contained in sub-section (1) but subject to the other provisions contained in this Act the Corporation shall have power—
 - (a) to carry on capital redemption business, annuity certain business or reinsurance business in so far as such reinsurance business appertains to life insurance business;
 - (b) subject to the rules, if any, made by the Central Government in this behalf, to invest the funds of the Corporation in such manner as the Corporation may think fit and to take all such steps as may be necessary or expedient for the protection or realisation of any investment; including the taking over of and administering any property offered as security for the investment until a suitable opportunity arises for its disposal;
 - (c) to acquire, hold and dispose of any property for the purpose of its business;
 - (d) to transfer the whole or any part of the life insurance business carried on outside India to any other person, if in the interests of the Corporation it is expedient so to do:
 - (e) to advance or lend money upon the security of any movable or immovable property;
 - (f) to borrow or raise any money in such manner and upon such security as the Corporation may think fit;
 - (g) to carry on any other business in any case where such other business was being carried on by a subsidiary of an insurer whose controlled business has been transferred to and vested in the Corporation under this Act;

- (h) to carry on any other business which may seem to the Corporation to be capable of being conveniently carried on in connection with its business and calculated directly or indirectly to render profitable the life insurance business of the Corporation;
- (i) to do all such things as may be incidental or conducive to the proper exercise of any of the powers of the Corporation.
- (3) In the discharge of any of its functions the Corporation shall act so far as may be on business principles.

CHAPTER IV

Transfer of Existing Life Insurance Business to the Corporation

7. (1) On the appointed day there shall be transferred to and Transfer of vested in the Corporation all the assets and liabilities appertaining to liabilities the controlled business of all insurers.

existing surers carry-

(2) The assets appertaining to the controlled business of an in- ing surer shall be deemed to include all rights and powers, and all pro-business. perty, whether movable or immovable, appertaining to his controlled business, including, in particular, cash balances, reserve funds, investments, deposits and all other interests and rights in or arising out of such property as may be in the possession of the insurer and all books of account or documents relating to the controlled business of the insurer; and liabilities shall be deemed to include all debts. liabilities and obligations of whatever kind then appertaining to the controlled business of the insurer.

Explanation.-The expression "assets appertaining to the controlled business of an insurer"-

- (a) in relation to a composite insurer includes that part of the paid-up capital of the insurer or assets representing such part which has or have been allocated to the controlled business of the insurer in accordance with the rules made in this behalf;
- (b) in relation to a Government means the amount lying to the credit of that business on the appointed day.
- 8. (1) Unless otherwise expressly provided by or under this Act, General all contracts, agreements and other instruments of whatever nature vesting of subsisting or having effect immediately before the appointed day controlled and to which an insurer whose controlled business has been transferred to and vested in the Corporation is a party or which are in favour of such insurer shall in so far as they relate to the controlled business of the insurer be of as full force and effect against or in favour of the Corporation, as the case may be, and may be enforced

or acted upon as fully and effectually as if, instead of the insurer, the Corporation had been a party thereto or as if they had been entered into or issued in favour of the Corporation.

- (2) If on the appointed day any suit, appeal or other legal proceeding of whatever nature is pending by or against an insurer, then, in so far as it relates to his controlled business, it shall not abate, be discontinued or be in any way prejudicially affected by reason of the transfer to the Corporation of the business of the insurer or of anything done under this Act, but the suit, appeal or other proceeding may be continued, prosecuted and enforced by or against the Corporation.
- (3) For the persons, if any, who immediately before the appointed day are the trustees of any superannuation or provident fund established by any insurer other than the Government for the benefit of his employees employed in connection with his controlled business, there shall be substituted such persons as the Corporation may, by general or special order, specify.

Provisions as to com posite insurers_

- 9. (1) For the removal of doubt it is hereby declared that in any case where an insurer whose controlled business has been transferred to and vested in the Corporation under this Act is a composite insurer, the provisions of the preceding sections shall only apply to the extent to which any property appertains to his controlled business and to rights and powers acquired, and to debts, liabilities and obligations incurred, and to contracts, agreements and other instruments made by the insurer for the purposes of his controlled business and to legal proceedings relating to those purposes, and the provisions of those sections shall be construed accordingly.
- (2) The Central Government may by rules made in this behalf provide—
 - (a) for the determination of the question whether any property appertains to his controlled business or whether any rights, powers, debts, liabilities or obligations were acquired or incurred or any contract, agreement or other instrument was made by the insurer for the purposes of his controlled business or whether any documents relate to those purposes;
 - (b) for the allocation of the paid-up capital or assets representing such paid-up capital, as the case may be, between the controlled business of the insurer and any other business;
 - (c) for substituting for any agreements entered into by any insurer partly for the purposes of his controlled business and partly for other purposes separate agreements in the requisite terms and for any apportionments and indemnities consequent thereon;

- (d) for the severance of leases comprising property of which part only is transferred to and vested in the Corporation by virtue of this Act and for apportionments consequent on such severance:
- (e) for the apportionment and the making of financial adjustments with respect to any debts, liabilities or obligations incurred by any such insurer partly for the purposes of his controlled business and partly for other purposes and for any necessary variation of mortgages and encumbrances relating to such debts, liabilities or obligations;
- (f) for the apportionment of superannuation or provident fund moneys between persons employed in connection with the controlled business of an insurer and other persons;
- (g) for any other matters supplementary to of consequential on the matters aforesaid for which provision appears to be necessary or expedient.
- (3) Where at any time before the expiration of six months from the appointed day a question has arisen under this section or under any rules made thereunder as to whether any property is or was held or used by the insurer for the purposes of his controlled business, the question shall be referred to the Tribunal for decision.
- 10. (1) Every whole-time employee of an insurer whose con-Transfer of trolled business has been transferred to and vested in the Corpora-existing tion and who was employed by the insurer wholly or mainly in con- employees of nection with his controlled business immediately before the ap-the Corporapointed day shall, on and from the appointed day, become an tion. employee of the Corporation, and shall hold his office therein by the same tenure, at the same remuneration and upon the same terms and conditions and with the same rights and privileges as to pension and gratuity and other matters as he would have held the same on the appointed day if this Act had not been passed, and shall continue to do so unless and until his employment in the Corporation is terminated or until his remuneration, terms and conditions are duly altered by the Corporation:

Provided that nothing contained in this sub-section shall apply to any employee of the Government or to any employee who has, by notice in writing given to the Central Government prior to the appointed day, intimated his intention of not becoming an employee of the Corporation.

(2) Notwithstanding anything contained in sub-section (1) or in any contract of service, the Central Government may, for the purpose of rationalising the pay scales of employees of insurers whose controlled business has been transferred to and vested in it or for the purpose of reducing the remuneration payable to employees in cases where in the interest of the Corporation and its policy-holders a reduction is called for, alter the terms of service of the employees as to their remuneration in such manner as it thinks fit; and if the alteration is not acceptable to any employee the Corporation may terminate his employment on giving him compensation equivalent to three months' remuneration unless the contract of service with such employee provides for a shorter notice of termination

- (3) If any question arises as to whether any person was a wholetime employee of an insurer or as to whether any employee was employed wholly or mainly in connection with the controlled business of an insurer immediately before the appointed day the question shall be referred to the Central Government whose decision shall be final.
- (4) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or in any other law for the time being in force, the 14 of 1947. transfer of the services of any employee of an insurer to the Corporation shall not entitle any such employee to any compensation under that Act, and no such claim shall be entertained by any court, tribunal or other authority.

Duty to deliver possession of property and documents relating thereto.

- 11. (1) Where any property appertaining to the controlled business of an insurer has been transferred to and vested in the Corporation under this Act, then,—
 - (a) every person, in whose possession, custody or control any such property may be, shall deliver the property to the Corporation forthwith:
 - (b) any person who, on the appointed day has in his possession, custody or control any books, documents or other papers relating to such controlled business shall be liable to account for the said books, documents and papers to the Corporation and shall deliver them to the Corporation or to such person as the Corporation may direct.
- (2) In particular, all the assets of an insurer appertaining to life insurance business held in deposit by the Reserve Bank of India under the Insurance Act or by trustees in trust shall be delivered to the Corporation.
- (3) Without prejudice to the other provisions contained in this section, it shall be lawful for the Corporation to take all necessary steps for securing possession of all properties which have been transferred to and vested in it under this Act.

12. The Corporation may, having regard to the financial condition Power of on the appointed day of any insurer whose controlled business has Corporation to modify been transferred to and vested in the Corporation, reduce the contracts of amounts of insurance under contracts of life insurance entered into in certain by such insurer in such manner and subject to such conditions as cases. it thinks fit:

Provided that no such reduction shall be made except in accordance with a scheme prepared by the Corporation in this behalf and approved by the Central Government.

13. (1) Where an insurer whose controlled business has been Right of transferred to and vested in the Corporation under this at any time within two years before the nineteenth day January, 1956,--

Act has, Corporation to seek reof lief in respect of certain transactions of the

- (a) made any payment to any person without consideration; insurer.
- (b) sold or disposed of any property of the insurer without consideration or for an inadequate consideration;
- (c) acquired any property or rights for an excessive consideration;
- (d) entered into or varied any agreement so as to require an excessive consideration to be paid or given by the insurer;
- (e) entered into any other transaction of such an onerous nature as to cause a loss to, or impose a liability on, the insurer exceeding any benefit accruing to the insurer;
- (f) if a composite insurer, transferred any property from his life department to his general department without consideration or for an inadequate consideration;

and the payment, sale, disposal, acquisition, agreement or variation thereof or other transaction or transfer was not reasonably necessary for the purpose of the controlled business of the insurer or was made with an unreasonable lack of prudence on the part of the insurer, regard being had in either case to the circumstances at the time, the Corporation may apply for relief to the Tribunal in respect of such transaction, and all parties to the transaction shall, unless the Tribunal otherwise directs, be made parties to the application.

- (2) The Tribunal may make such order against any of the parties to the application as it thinks just having regard to the extent to which those parties were respectively responsible for the transaction or benefited from it and all the circumstances of the case.
- (3) Where an application is made to the Tribunal under this section in respect of any transaction and the application is determined

in favour of the Corporation, the Tribunal shall have exclusive jurisdiction to determine any claims outstanding in respect of the transaction.

Compensation for acquisition of controlled business,

- 14. (1) Where the controlled business of an insurer has been fransferred to and vested in the Corporation under this Act compensation shall be given by the Corporation to that insurer in accordance with the principles contained in the First Schedule.
 - (2) The amount of the compensation to be given in accordance with the aforesaid principles shall be determined by the Corporation in the first instance, and if the amount so determined is approved by the Central Government it shall be offered to the insurer in full satisfaction of the compensation payable to him under this Act, and if, on the other hand, the amount so offered is not acceptable to the insurer he may within such time as may be prescribed for the purpose have the matter referred to the Tribunal for decision.

Constitution of the Tribunal.

- 15. (1) The Central Government may for the purpose of this Act constitute a Tribunal consisting of three members appointed by the Central Government one of whom shall be a person who is, or has been, a Judge of a High Court or has been a Judge of the Supreme Court, and he shall be the Chairman thereof.
- (2) The Tribunal may choose one or more persons possessing special knowledge of any matter relating to any case under inquiry to assist the Tribunal in determining any question which has to be decided by it under this Act.
- (3) The Tribunal shall have the powers of a civil court while trying a suit under the Code of Civil Procedure, 1908, in respect of 5 of 19 the following matters:—
 - (a) summoning and enforcing the attendance of any person and examining him on oath;
 - (b) requiring the discovery and production of documents;
 - (c) receiving evidence on affidavits;
 - (d) issuing commissions for the examination of witnesses or documents.
- (4) The Tribunal shall have power to regulate its own procedure and decide all matters within its competence, and may review any of its decisions in the event of there being a mistake on the face of the record or correct any arithmetical or clerical error therein.

CHAPTER V

MANAGEMENT

- 16. (1) The central office of the Corporation shall be at such place Offices, as the Central Government may, by notification in the Official branches and agencies. Gazette, specify.
- (2) The Corporation shall establish a zonal office at each of the following places, namely, Bombay, Calcutta, Delhi and Madras, and, subject to the previous approval of the Central Government, may establish such other zonal offices as it thinks fit.
- (3) The territorial limits of each zone shall be such as may be specified by the Corporation.
- (4) There may be established as many divisional offices and branches in each zone as the Zonal Manager thinks fit.
- 17. (1) The Corporation may entrust the general superintendence Committees and direction of its affairs and business to an Executive Committee of the Corporation consisting of not more than five of its members and the Executive and Manag-Committee may exercise all powers and do all such acts and things as ing Director. may be delegated to it by the Corporation.
- (2) The Corporation may appoint a Managing Director who shall be a whole-time officer of the Corporation and the Managing Director shall exercise such powers and perform such duties as may be entrusted or delegated to him by the Executive Committee or the Corporation.
- (3) The Corporation may also form such other Committees as it may think fit for the purpose of discharging such of its functions as may be delegated to them.
- 18. In the discharge of its functions under this Act, the Corpora-Corporation tion shall be guided by such directions in matters of policy involving to be guided by the ing public interest as the Central Government may give to it; and directions if any question arises whether a direction relates to a matter of of Central Government policy involving public interest the decision of the Central Government thereon shall be final.
- 19. (1) The Corporation may entrust the superintendence and direction of the affairs and business of a zonal office to a person, whether a member or not, who shall be known as the Zonal Manager and the Zonal Manager shall perform all such functions of the Corporation as may be delegated to him with respect to the area within the jurisdiction of the zonal office.
- (2) The Corporation may constitute for each zone a Board consisting of such number of persons as it thinks fit to appoint thereto

for the purpose of advising the Zonal Manager in respect of such matters as are referred to it under the regulations made by the Corporation.

Staff of the Corporation.

- 20. (1) For the purpose of enabling it to discharge its functions under this Act, the Corporation may appoint such number of persons as it thinks fit.
- (2) Every person appointed by the Corporation or whose services have been transferred to the Corporation under section 10 shall be liable to serve anywhere in India.

CHAPTER VI

FINANCE, ACCOUNTS AND AUDIT

Funds of the Corporation.

21. The Corporation shall have its own fund and all receipts of the Corporation shall be credited thereto and all payments of the Corporation shall be made therefrom.

Audit.

- 22. (1) The affairs of the Corporation shall be audited by auditors duly qualified to act as auditors of companies under the law for the time being in force relating to companies, and the auditors shall be appointed by the Corporation with the previous approval of the Central Government and shall receive such remuneration from the Corporation as the Central Government may fix.
- (2) Every auditor in the performance of his duties shall have at all reasonable times access to the books, accounts and other documents of the Corporation.
- (3) The auditors shall submit their report to the Corporation and shall also forward a copy of their report to the Central Government.

Actuarial valuations.

23. The Corporation shall, once at least in every two years, cause an investigation to be made by actuaries into the financial condition of the business of the Corporation, including a valuation of the liabilities of the Corporation, and submit the report of the actuaries to the Central Government.

Surplus how to be utilised.

24. If as a result of any investigation undertaken by the Corporation under section 23 any surplus emerges, not less than 95 per cent. of such surplus shall be allocated to or reserved for the policy-holders of the Corporation and the remainder may be utilised for such purposes and in such manner as the Central Government may determine.

CHAPTER VII

MISCELLANEOUS

25. Except to the extent otherwise expressly provided in this Act, Corporation on and from the appointed day the Corporation shall have the ex- exclusive clusive privilege of carrying on life insurance business in India; and privilege on and from the said day any certificate of registration under the on life in-Insurance Act held by any insurer immediately before the said day surance shall cease to have effect in so far as it authorises him to carry on life insurance business in India.

26. Where any property or rights appertaining to the controlled Requirement business of an insurer are transferred to and vested in the Corpora- of foreign to tion under this Act or would be so transferred and vested but for complication the fact that such transfer and vesting are governed otherwise than with in certain cases. by the law of India, the insurer shall comply with such directions as may be given to him by the Corporation for the purpose of securing that the ownership of the property or as the case may be that the right is effectively transferred to the Corporation.

27. (1) If, in the case of any insurer incorporated outside India, Repatriation the Central Government is satisfied on application made to it in this liabilities in behalf that out of the assets and liabilities transferred to and vested the case of in the Corporation under this Act there are assets brought into insurers in India by the insurer for the purpose of building up his life insurance certain cases business which should not be so transferred and vested, the Central Government may, by order, direct that the Corporation shall be divested of such assets as may be specified in the order.

- (2) For the purpose of determining any such assets as are referred to in sub-section (1), the Central Government shall compute the value as at the 31st day of December, 1955, of the assets of the insurer in accordance with the provisions contained in paragraph 3 of Part B of the First Schedule and deduct therefrom the total amount of the liabilities of the insurer computed as at the same date and in accordance with the provisions contained in the Second Schedule.
- (3) In the case of any such insurer as is referred to in sub-section (1), the Central Government may also, by order, direct that the Corporation shall be divested of any liabilities in respect of life insurance policies issued in any foreign currency in favour of persons who are not citizens of India, and the order shall specify the amount which may be necessary to enable the insurer concerned to meet such liabilities.

- (4) The liabilities in respect of the policies referred to in subsection (3) shall be computed in accordance with the provisions contained in clause (b) of the Second Schedule.
- (5) Every order made by the Central Government under this section shall be carried out by the Corporation in such manner as the Central Government may direct.

Policies to be guaranteed by Central

28. The sums assured by all policies issued by the Corporation including any bonuses declared in respect thereof and, subject to the Government, provisions contained in section 12 the amounts assured by all policies issued by any insurer the liabilities under which have vested in the Corporation under this Act, and all bonuses declared in respect thereof whether before or after the appointed day, shall be guaranteed as to payment by the Central Government.

Liquidation of Corporation.

29. No provision of law relating to the winding up of companies or corporations shall apply to the Corporation established under this Act, and the Corporation shall not be placed in liquidation save by order of the Central Government and in such manner as that Government may direct.

Special provisions for winding up of certain insurers.

30. Where any insurer being a company (other than a composite insurer) whose controlled business has been transferred to and vested in the Corporation under this Act has in accordance with the provisions of this Act collected and distributed any moneys paid to him by the Corporation by way of compensation or otherwise and has also complied with any direction given to him by the Corporation for the purpose of securing that the ownership of any property or any right is effectively transferred to the Corporation, the Central Government may on application being made to it in this behalf by such insurer grant a certificate to the insurer that there is no reason for the continued existence of the insurer and where such a certificate has been granted shall cause the certificate to be published in the Official Gazette and upon the publication thereof the insurer shall be dissolved.

Penalty for withholding property, etc.

31. If any person wilfully withhold or fails to deliver to the Corporation as required by section 11, any property or any books, documents or other papers which may be in his possession or unlawfully retains possession of any property of an insurer which has been transferred to and vested in the Corporation under this Act or wilfully applies any such property to purposes other than those expressed in or authorised by this Act, he shall, on the complaint of the Corporation, be punishable with imprisonment which may extend to six months, or with fine which may extend to one thousand rupees, or with both.

32. No civil court shall have jurisdiction to entertain or adjudi- Tribunal cate upon any matter which the Tribunal is empowered to decide or exclusive determine under this Act.

jurisdiction in certain matters.

33. Any decision of the Tribunal may be enforced in any civil Enforcement court as if it were a decree passed by that court.

of decisions of Tribunal.

34. The Central Government may, by notification in the Official Application Gazette, direct that all or any of the provisions contained in the of the Insurance Insurance Act shall apply to the Corporation subject to such condi- Act. tions or modifications as may be specified in the notification; but save as aforesaid nothing contained in that Act shall apply to the Corporation.

35. Nothing contained in this Act shall apply in relation to—

Act not to apply in certain cases.

- (a) any insurer whose business is being voluntarily wound up or is being wound up under the orders of the court;
- (b) any insurer to whom the Insurance Act does not apply by reason of the provisions contained in section 2E thereof;
- (c) the scheme run by the Central Government known as the Post Office Life Insurance Fund;
- (d) any approved superannuation fund as defined in clause (a) of section 58N of the Indian Income Tax Act, 1922, which is 11 of 1922. in existence on the appointed day;
- (e) any scheme in existence on the appointed day whereby, in consideration of certain compulsory deductions made by Government from the salaries of its employees as part of the conditions of service, the payment of money is assured by Government on the death of the employee concerned or on the happening of any contingency dependent on his life.
- 36. No act or proceeding of the Corporation or of any Committee Defects in of the Corporation shall be called in question on the ground merely constitution of Corporaof the existence of any vacancy or defect in the constitution of the tion or Corporation or Committee, as the case may be.

Committees not to invalidate acts or proceedings.

37. No suit, prosecution or other legal proceeding shall lie against Protection any member or employee of the Corporation for anything which is of action in good faith done or intended to be done under this Act.

taken under Act.

38. (1) The Central Government may, by notification in the Offi-Power to make rules, cial Gazette, make rules to carry out the purposes of this Act.

- (2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—
 - (a) the term of office and the conditions of service of members:
 - (b) the manner in which and the conditions subject to which investments may be made by the Corporation;
 - (c) the manner in which, and the persons to whom, any compensation under this Act may be paid;
 - (d) the time within which any matter which may be referred to the Tribunal for decision under this Act may be so referred;
 - (e) the conditions subject to which the Corporation may appoint employees;
 - (f) any other matter which has to be or may be prescribed.
- (3) All rules made under this section shall be laid before both Houses of Parliament as soon as may be after they are made.

Power to make regulations.

- 39. (1) The Corporation may, with the previous approval of the Central Government, by notification in the Gazette of India, make regulations not inconsistent with this Act and the rules made thereunder to provide for all matters for which provision is expedient for the purpose of giving effect to the provisions of this Act.
- (2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for—
 - (a) the powers and functions of the Corporation which may be delegated to the Zonal Managers;
 - (b) the method of recruitment of employees and agents of the Corporation and the terms and conditions of service of such employees or agents;
 - (c) the number, term of office and conditions of service of members of Boards constituted under section 19.
 - (d) the territorial limits of each zone established under this Act and the business to be transacted in each zone;
 - (e) the manner in which the fund of the Corporation shall be maintained;
 - (f) the maintenance of separate funds and accounts at each of the zonal offices;
 - (g) the jurisdiction of each divisional office and the establishment of Councils representative of policy-holders in each area served by a divisional office for the purpose of advising the divisional office in respect of any matter which may be referred to it;

- (h) the conduct of business at meetings of the Corporation;
- (i) the formation of Committees of the Corporation and the delegation of powers and functions of the Corporation to such Committees, and the conduct of business at meetings of such Committees:
- (j) the form and manner in which policies may be issued and contracts binding on the Corporation may be executed;
- (k) the classification of policies, whether issued by the Corporation or by any insurer whose controlled business has been transferred to and vested in the Corporation, for the purpose of declaring differential bonuses, wherever necessary;
- (1) the manner in which and the intervals within which the accounts of the various zonal offices, divisional offices and branch offices may be inspected and their accounts audited;
- (m) the conditions subject to which any payment may be made by the Corporation.

THE FIRST SCHEDULE

Principles for determining compensation (See section 14)

PART A

The compensation to be given by the Corporation to an insurer who has allocated to shareholders any share of the surplus as disclosed in the abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act in respect of the last actuarial investigation relating to his controlled business as at a date earlier than the 1st day of January, 1955, shall be computed in accordance with the provisions contained in paragraph 1 or paragraph 2, whichever is more advantageous to the insurer.

Paragraph 1.—Twenty times the annual average of the share of the surplus allocated to shareholders as disclosed in the abstracts aforesaid in respect of the last two actuarial investigations as at dates earlier than the 1st day of January, 1955.

Paragraph 2.—Ten times the annual average of the share of the surplus allocated to shareholders as disclosed in the abstracts aforesaid in respect of the last two actuarial investigations as at dates earlier than the 1st day of January, 1955, plus the paid-up capital or assets equivalent thereto or, in the case of a composite insurer, that part of the paid-up capital or assets equivalent thereto which has or have been transferred to and vested in the Corporation

under this Act less the amount, if any, of expenses or losses or both capitalised by the insurer for the purposes of Form A in the First Schedule to the Insurance Act.

Explanation 1.—If the aggregate of the inter-valuation periods preceding each of the last two actuarial investigations as at dates earlier than the 1st day of January, 1955, is less than four years, such larger number of latest actuarial investigations as at dates earlier than the 1st day of January, 1955, as will make the aggregate of the inter-valuation periods preceding each of such actuarial investigations to be not less than four years shall be taken into account for the purpose of determining the annual average of the share of the surplus under paragraph 1 or paragraph 2.

Explanation 2.—For the purposes of paragraphs 1 and 2 where an insurer has allocated to shareholders more than 5 per cent. of any such surplus as is referred to therein, the insurer shall be deemed to have allocated only 5 per cent. of the surplus and where an insurer has allocated to shareholders less than 3 per cent. of any such surplus, the insurer shall be deemed to have allocated 3 per cent. of the surplus.

Explanation 3.—In the case of any insurer incorporated outside India who makes allocations to shareholders only in relation to actuarial investigations undertaken in respect of his world business, reference in this Part to actuarial investigations shall be construed as references to the actuarial investigations undertaken under the Insurance Act as at the same dates as the actuarial investigations in respect of his world business.

Explanation 4.—Where an insurer is an insurer incorporated outside India whose paid-up capital is outside India, the provisions contained in paragraph 1 shall have effect as if a sum equal to that part of the paid-up capital of the insurer as may be determined by the Central Government to be allocable to the controlled business is to be deducted therefrom and the provisions contained in paragraph 2 shall have effect as if all the words beginning with "plus the paid-up capital" and ending with "in the First Schedule to the Insurance Act" had been omitted therefrom

Explanation 5.—In the case of any insurer incorporated outside India, in respect of whom an order under section 27 has been made by the Central Government, the share of the surplus allocated to shareholders in respect of any relevant actuarial investigation shall be arrived at as follows:—

(a) there shall be deducted from the surplus, disclosed as a result of the relevant actuarial investigation relating to his

controlled business, interest at $3\frac{1}{2}$ per cent. per annum for the inter-valuation period preceding the date as at which the relevant actuarial investigation was made, calculated on the assets of which the Corporation is divested as a result of an order made under sub-section (1) of section 27;

(b) with respect to the balance arrived at under clause (a) an amount shall be computed such that it bears the same proportion to the balance computed under clause (a), as the liability on policies continuing to vest in the Corporation bears to the aggregate of the liabilities on policies so continuing and on policies of which the Corporation has been divested as a result of an order under sub-section (3) of section 27, the liabilities on policies being computed in accordance with the provisions contained in clause (b) of the Second Schedule.

The share of the surplus for the purposes of paragraphs 1 and 2 shall be that amount which bears to the amount computed under clause (b) the same proportion as the share of the surplus allocated to shareholders as disclosed in the abstracts—aforesaid, read with Explanation 2, bears to the surplus disclosed as a result of the relevant actuarial investigation:

Provided that—

- (i) in any case where the order made under section 27 is with reference to sub-section (1) only, this Explanation shall have effect as if clause (b) had been omitted therefrom and as if for the words, brackets and letter 'the amount computed under clause (b)', the words, brackets and letter 'the balance arrived at under clause (a)' had been substituted; and
- (ii) in any case where the order made under section 27 is with reference to sub-section (3) only this Explanation shall have effect as if clause (a) had been omitted and as if in clause (b), the words, brackets and letter 'with respect to the balance arrived at under clause (a)' had been omitted, and for the words, brackets and letter 'the balance computed under clause (a)', the words 'the surplus' had been substituted.

PART B

The compensation to be given by the Corporation to an insurer having a share capital on which dividend or bonus is payable who has not made any such allocation as is referred to in Part A in respect of the last actuarial investigation as at a date earlier than the

1st day of January, 1955, shall be the sum of the amounts computed as at the 19th day of January, 1956, in accordance with the provisions of paragraph 3 less the sum of the amounts computed as at the 19th day of January, 1956, in accordance with the provisions of paragraph 4.

Assets

Paragraph 3.—(a) The market value of any land or buildings,

- (b) The market value or the purchase price, whichever is less, of any shares, securities or other investments held by the insurer.
- (c) The total amount of the premiums paid by the insurer in respect of all leasehold properties reduced in the case of each such premium by an amount which bears to such premium the same proportion as the expired term of the lease in respect of which such premium shall have been paid bears to the total term of the lease.
- (d) The amount of debts due to the insurer, whether secured or unsecured, to the extent to which they are reasonably considered to be recoverable.
- (e) The amount of cash held by the insurer whether in deposit with a bank or otherwise.
- (f) The value of all tangible assets other than those falling within any of the preceding clauses.

liabilities.

- Paragraph 4.—(a) The total amount of liabilities of the insurer to holders of policies in respect of his controlled business on account of matured claims on which payment has to be made.
- (b) The total amount of liabilities of the insurer to holders of policies in respect of his controlled business which have not matured for payment, the liabilities in respect thereof being calculated on the following actuarial bases:—
 - (i) in respect of whole-life assurances and endowment assurances, the mortality table to be used shall be the Oriental (25-35) ultimate mortality table, and an interest rate of 3½ per cent. per annum shall be assumed and for expenses 20 per cent. of office premiums in the case of with-profit policies and 15 per cent. of office premiums in the case of non-profit policies shall be reserved;
 - (ii) in respect of other policies such actuarial bases determined by the actuary making the valuation as may be consistent with the basis specified in clause (i); and

- (iii) in determining the liabilities of insurers under clause (b) the actuary shall make all the usual provisions and reserves as are ordinarily done in such cases.
- (c) The total amount of all other liabilities of the insurer.
- (d) Where, as a result of the actuarial valuation of policy liabilities made under clause (b), the life insurance fund is shown to be in surplus, a sum equal to 96 per cent. of such surplus shall be deemed to be a liability under this paragraph.

PART C

The compensation to be given by the Corporation to an insurer having no share capital or having no share capital on which dividend or bonus is payable shall be in the form of an addition at the rate of rupee one per thousand in respect of the sum assured (excluding bonuses) under each with-profit policy.

THE SECOND SCHEDULE

PRINCIPLES FOR DETERMINING THE VALUE OF LIABILITIES IN CERTAIN CASES

(See section 27)

The total amount of the liabilities of an insurer incorporated outside India for the purposes of sub-section (2) of section 27 shall be the sum of the amounts computed in accordance with the following provisions:—

- (a) the total amount of liabilities of the insurer to holders of policies in respect of his controlled business on account of matured claims on which payment has to be made:
- (b) the total amount of liabilities of the insurer to holders of policies in respect of his controlled business which have not matured for payment, the liabilities in respect thereof being the mean of the liabilities calculated on method A and method B below:

Method A.—Actuarial liability calculated on the same bases as adopted by the insurer at the last actuarial investigation as at a date earlier than the first day of January, 1955.

Method B.—Actuarial liability calculated on the method known as the modified net permium method of valuation, the mortality table to be used being the Oriental (25-35) ultimate mortality table, an interest rate of $2\frac{1}{2}$ per cent. per annum being assumed and the

allowance for first year expenses being Rs. 40 per thousand rupees of the sum assured by the policy.

Explanation.—Before ascertaining the liability under method A and method B, there shall be added to each with-profit policy in force on the 31st day of December, 1955, bonus at the same rate as declared at the said last actuarial investigation in respect of each year or part of a year the policy had been in force since the date as at which the said last actuarial investigation was made:

(c) the total amount of all other liabilities of the insurer.

STATEMENT OF OBJECTS AND REASONS

To ensure absolute security to the policy-holder in the matter of his life insurance protection, to spread insurance much more widely and in particular to the rural areas, and as a further step in the direction of more effective mobilisation of public savings, Government have decided to nationalise life insurance business in India. An Ordinance was promulgated in January, 1956, whereby pending the passing of a Bill to nationalise such business, the management of the life insurance business in India was vested in the Central Government. A Bill has been separately introduced to replace Ordinance and the present Bill lays down the permanent arrangements for nationalisation. Under this Bill a Life Insurance Corporation of India will be set up, with a share capital provided entirely by the Central Government, which will undertake life insurance business in India as a monopoly and into this Corporation will be integrated all the Insurance Companies now engaged in life business, as also the organisations functioning under the control of State Governments and conducting such business for the benefit of the public.

All the contracts for assurance executed by the Corporation will be guaranteed by the Central Government.

The Schedules to the Bill lay down the principles governing grant of compensation to the Insurers whose business will be taken over by the Corporation

C. D. DESHMUKH.

NEW DELHI;

The 14th February, 1956.

FINANCIAL MEMORANDUM

Under section 5(1) the original capital of Rs. 5 crores of the Corporation will be provided by the Central Government. This capital may be reduced by the Central Government on the recommendation of the Corporation.

In terms of section 28, all the policies issued by the Corporation will be guaranteed as to payment by the Central Government. It is unlikely that this guarantee will lead to any liability in fact.

MEMORANDUM ON DELEGATED LEGISLATION

Section 9(2) authorises the Central Government to make rules generally for dealing with the taking over by the Corporation of life insurance business of Insurers who have been transacting other business as well. By means of such rules, the business of a composite insurer may be divided into life insurance business and general insurance business for the purpose of facilitating the taking over. Under section 38(1) the Central Government may make rules to carry out the purposes of the Bill; section 38(3) provides that all rules so made shall be laid before both Houses of Parliament as soon as may be after they are made Section 39(1) empowers the Corporation to make regulations for the purpose of giving effect to the provisions of the Bill with the previous approval of the Central Government. The powers delegated under section 38 are of a normal character.

M. N. KAUL,

Secretary.